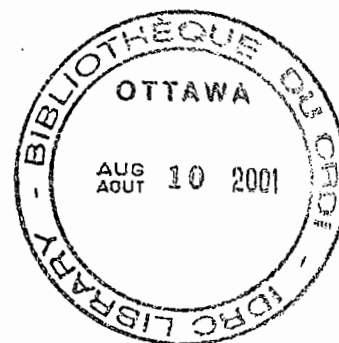


CARIBBEAN CONSULTATIVE COMMITTEE FOR REGIONAL INFORMATION SYSTEMS
(CCCRIS) PROJECT: COMMERCIALISATION OF INFORMATION SERVICES - REPORT
NO. 1 (THE FIRST OF SIX REPORTS)

A BUSINESS STRATEGY FOR CARIBBEAN REGIONAL INFORMATION NETWORKS: GUIDELINES FOR DEVELOPMENT



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A MODEL BUSINESS STRATEGY FOR CARIBBEAN REGIONAL INFORMATION NETWORKS: GUIDELINES FOR DEVELOPMENT

INTRODUCTION

This report is part of an overall assignment to assess the potential of existing Caribbean regional information networks to develop commercial services, and is carried out in accordance with item 1 of the Terms of Reference set out in Appendix 1.

SCOPE AND METHODOLOGY

Consultations on the development of a model business strategy were held with two Caribbean regional information systems that have already planned a business strategy and begun to implement a marketing plan: the Caribbean Trade Information System (CARTIS) and the Caribbean Energy Information System (CEIS).

CARTIS supports the national and regional efforts to stimulate increased trade among CARICOM countries by providing exporters, importers, manufacturers and producers with information on business opportunities, company information, regional trade statistics and trade regulations.

CEIS provides several segments of both the private and public sectors with information on new and renewable sources of energy, petroleum, and the legal aspects of energy use, production and development in the Caribbean.

The consultations focussed on discussions of a methodology for a strategic marketing process developed by Kotler and Andreasen [1] with additions from Keiser. [2] This methodology is based on the assumption that marketing is a function that operates within the environment of the system being developed and stresses the necessity of determining the specific information needs of the users of information.

The consultations were facilitated by use of a handout entitled "Areas for Discussion" which briefly describes the Kotler/Andreasen/Keiser (KAK) method for developing a business strategy. This handout is attached at Appendix 2.

A representative from the CARTIS and from the CEIS discussed their own experiences of developing a business strategy while considering the KAK method. Persons contacted are listed in Appendix 3. Their responses were noted on the handout.

The following report is the result of the output of these consultations.

The business strategy is not presented as a "cut and dried" model; rather it outlines and describes its components - which can be used by those wishing to develop their own strategy - and presents both proven examples of application and problems in applying these components, taken from the strategies developed by CARTIS and CEIS.

THE BUSINESS STRATEGY

The creation of a strategic information plan shows management that you are serious about delivering quality products and services. It requires that you think a situation through; develop possible options, analyzing them in terms of your organization's management culture, your staff's ability to deliver, as well as associated cost (s); and choose the most appropriate response." [3]

The success of a business strategy depends on the involvement and cooperation of the information producers, their customers and their senior management. In addition it requires commitment of resources and time, and to an ongoing evaluation which is used for regular updating of each component of the strategy.

The components of a business strategy are outlined and described below, using examples from the strategies developed by CARTIS and CEIS.

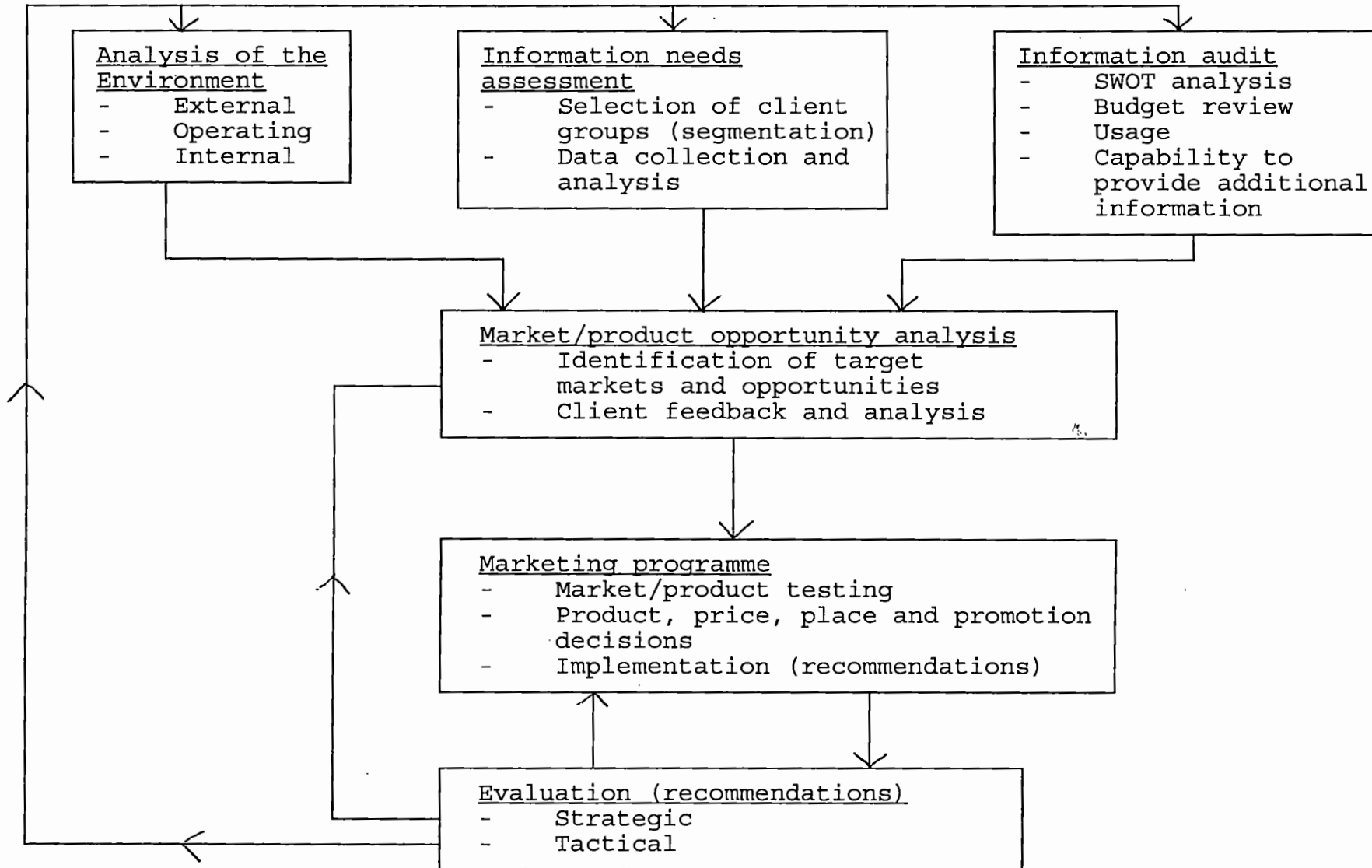
THE STRATEGIC MARKETING PROCESS

The components of the strategic marketing process are as follows:

- 1) Analysis of the environment of the system
- 2) Information needs assessment
- 3) Information audit
- 4) Market/product opportunity analysis
- 5) Marketing plan
- 6) Evaluation

A diagram of an outline of the strategic marketing process - showing how the components relate to each other - is given in Figure 1.

FIGURE 1: THE STRATEGIC MARKETING PROCESS



1) THE MARKETING ENVIRONMENT

The first step in the strategic marketing process analyses the external, operating and internal environment of the network.

The External Environment

It is important to think about external factors when analysing market opportunities: legal, economic, political and physical environments; any advances in the information field that you should know about; any new communications techniques for telling customers or prospective customers about your services and products; are there any competing sources of regional information ?

Example:

CARTIS analysed its external environment and identified its major competition to be the existing informal network of contacts between members of the export community through which much of the available trade information is made available.

The Operating Environment

This is the parent organisation of the system. The operating environment defines the organisation's mission and objectives:

THE MISSION of your organisation is a short general statement of the fundamental nature of your organisation, answering the questions "What business are we in ?" and "Who do we serve ?". This is the "vision" of your organisation: it's philosophy , and what makes it different from any other organisation.

Example:

The CARICOM Export Development Project (CEDP) is the parent organisation of CARTIS. Its mission is to assist the private and public sectors in the member states of the Caribbean Community to expand regional trade and regional exports.

THE OBJECTIVES are concrete, measurable, realistic targets - ie. attainable, but still challenging.

Example:

CEDP's major objective is to improve the marketing of CARICOM goods through developing and promoting the implementation of appropriate policy measures, and supporting private and public sector institutions and companies to increase sales by providing training, information, production and marketing advisory and export promotion services.

Definition of the organisation's mission and objectives will ensure that opportunities for market growth are developed to fit in with what the organisation as a whole wishes to do. It will also help you to relate the network's business strategy back to the organisation by enabling you to point out how developing the selected products and services will help achieve organisational goals.

The Internal Environment

The internal environment concerns the specific information network. By defining the network's mission and objectives, you will ensure that the network remains focused on its objectives while striving to meet the needs of its customers.

Example:

CEIS Mission

The Caribbean Energy Information System, CEIS, is a co-operative networking system among a group of Caribbean countries, committed to the pooling and exchange of energy information. The database of information provides support for energy sector use and development with the ultimate goal of contributing to the national developmental objectives of participating countries.

Refer often to your mission statement and objectives. A market opportunity that takes you away from the mission of your network is not a good opportunity for you. A strategy or tactic that does not carry the network towards fulfilling its mission is faulty and should be revised.

2) INFORMATION NEEDS ASSESSMENT

Creating a partnership between customers and producers is essential. The earlier you involve the customer in the process of developing a business strategy, the more you will be able to create an environment which encourages creative solutions to exploiting market opportunities.

The second step in the strategic process is, therefore, to define who your customers are and, within this group, to define your levels of customers or target groups. This is known as market segmentation. As Thompson has noted:

"Levels of users ... are well defined - policymakers, research managers, researchers ... It is important, while looking at the broader issue of information needs, to keep in mind the significance of those needs that are particular to each group. Thus, in situations of scarce resources such as those which usually characterize small developing countries, information specialists need special expertise in needs assessment in order to design information systems that would provide services that are very focused and appropriate to the needs of their different user groups." [4]

If different target groups need either different information -or the same information, but presented in various ways - this impacts on the kinds of information collected, the services and products developed from that information, and the ways it is disseminated to these target groups.

Example:

CEIS information is targeted to several segments of the public and private sectors who use energy data. These are:

- businessmen
- consultants
- engineers and technicians
- farmers
- job seekers
- manufacturing industries
- service organizations
- student researchers at all levels
- planners and policy researchers
- teachers

Once the target groups are defined, it is necessary to decide whether you are able to provide a service and products to all of these target groups. An analysis of usage of the system by each of the target groups will allow you to focus on those groups which will benefit most from your information .

Example:

CEIS analysed their target groups, and broke them down according to specific groups, which they felt they would be able to cope with initially, and target independently. This information is constantly updated, and ongoing potential demand for their services estimated. Currently these groups are:

- research and development

energy and energy-related institutions
education
planning and policy making
consumer oriented
private sector (sales, production)
utility and petroleum marketing companies

When you have decided which target groups will be your main focus, you then need to obtain as much information as possible from each group. In order to obtain a high response rate and detailed information, the information needs assessment should be conducted by questionnaire, and completed by means of structured interviews with a sample of members from each group.

Questionnaire Design

Decide what information you want to obtain from your sample before designing your questionnaire.

The draft questionnaire should be discussed with colleagues and tested on a sample of the target groups, before being revised and administered.

The results of the structured interviews/questionnaire are then analysed to give an understanding of what information is used and needed by each target group and why it is needed.

The analysis assists in the planning of the types of information products and services that would be most useful to each of the groups.

Customers information needs change and it is essential that the information needs assessment is an ongoing process and not a once-only event.

3) INFORMATION AUDIT

The necessary information sources, technology, people and processes must be in place in order to support any development in the products and services offered by the system. The information audit assesses the availability of these resources, based on the system's mission and objectives which have been identified earlier in the process.

The information audit first analyses the position of the system with respect to possible future lines of endeavour. This analysis may be completed by using the SWOT technique.

The SWOT Technique

This technique identifies the System's Strengths, Weaknesses, Opportunities and Threats (SWOT).

A marketing plan must adjust to both internal and external realities, if it is to succeed, and this technique analyses:

- * the system's strengths and weaknesses - from inside the system's boundary
and
- * its opportunities and threats - from outside the system's boundary

This gives a clear picture of the system's current position, for example:

Strengths and Weaknesses

Whether or not:

- * the current level of staffing is adequate for embarking on product and service development

- * you have up to date, good quality hardware and software
- * you have access to high quality, current information
- * you have a good reputation for a proactive information service
- * your customers and potential customers are aware of all the services and products you offer
- * your customers want the kind of information you are currently providing
- * you are conducting regular information needs assessments to update changes in your customers' information requirements
- * you are segmenting your major client groups regarding information provision

Threats and Opportunities

whether or not:

- * you have competition from other information providers operating in your area of expertise
- * you have, or can acquire, funding from external sources -such as donor agencies - to initially support your marketing effort
- * there are any advances in information development which can impact - positively or negatively - on your ability to provide services and products, eg. the INTERNET
- * there are any legal, economic, political or environmental developments which can impact - positively or negatively - on your ability to provide services and products. (You will have considered these developments while analysing your external environment earlier in the development of the business strategy).

Example:

CEIS has competition in the supply of energy information within the Caribbean from the Latin American Energy Organisation, OLADE. It has turned this potential threat into an opportunity by focusing on areas where it has unique expertise:

- * being able to offer an energy information service which includes the very small islands in the region, whereas OLADE can only provide information on the larger states
- * being able to provide a range of products in published formats as an alternative to OLADE which mainly offers its products in electronic form
- * being able to provide a forum for discussion on relevant issues for energy scientists in the region, which is a service that OLADE does not offer

The Budget Review

The SWOT analysis is followed by a budget review to ascertain how the funds available to the system are being used and what funds are available, or need to be budgeted for, to market the system.

4) MARKET/PRODUCT OPPORTUNITY ANALYSIS

The fourth step is to analyse the opportunities available for development and decide on which to pursue, based on:

- * how well each opportunity assists you in meeting your objectives - which you have already identified;
- * whether it will improve your ability to meet the specific information needs of your targeted groups of customers - already identified - and;
- * the capability of your system to meet these expressed needs given its resources - already audited.

A useful device for completing this analysis is known as the **Product/Market Opportunity** or **Ansoff Matrix**.

The Ansoff Matrix

Figure 2 shows an outline of the Ansoff Matrix.

This is a systematic approach to opportunity identification. It allows you to list the different **market opportunities** at the left of the matrix and the **product opportunities** along the top, dividing both into **existing** and **new** opportunities.

Once you have listed all your opportunities in the appropriate area of the matrix - depending on whether you want to:

- * Increase use made in existing products to existing markets
 - * Offer innovative products to existing markets
 - * Develop new markets for existing products
- or
- * Enter new markets with new products - total innovation.

You can then look at your completed matrix to gain an overall picture of your opportunities and be able to make a decision on which of the opportunities to pursue.

Example:

CARTIS identified a new market for their existing products as United States importers - developing new markets for existing products - and these customers quickly grew to outnumber Caribbean-based customers.

FIGURE 2: ANSOFF MATRIX

<i>PRODUCT OPPORTUNITIES</i>	
<i>MARKET OPPORTUNITIES</i>	EXISTING (Increase use made of existing products in existing markets)
	NEW (Offer innovative products to existing markets)
EXISTING	
NEW	(Develop new markets for existing products)
	(Total Innovation: enter new markets with new products)

Customer Feedback on Market/Product Opportunities

The various opportunities having been identified, the next step is to ensure that these opportunities, if acted upon, will develop the system in a way that its customers will find useful - this step continuing the theme of involvement between producers and customers.

Based on the Matrix, a short questionnaire should be designed to obtain this feedback - through structured interviews - from representatives of those target groups interviewed during the information needs assessment, who expressed the most need for changes in the products and services provided by the system.

Example:

CARTIS has attempted to set up a system whereby they can obtain continuous feedback from their customers through those who have direct contact with them. They have set up joint ventures with chambers of commerce in member states through which CARTIS provides the information resources, and the chambers of commerce - who possess local knowledge as to the continually changing needs of their export community - are responsible for delivering the relevant information to the customer and for providing CARTIS with information on the customers' changing needs for products and services.

Analysis of Feedback

This client feedback is then used to adapt the analysis of service and product opportunities, to ensure that the services and products selected for development by the system accurately reflect customer needs.

Selected opportunities can be divided into those that can be acted upon during the current financial year and those that would have to be budgeted for in the future.

5) THE MARKETING PLAN

In order to pursue the service and product opportunities decided upon, the next activity is to develop a tactical marketing plan for your products and services, based on the steps in the business strategy that you have so far completed.

Market/Product Testing

Before implementing your marketing plan, be sure to test market your newly identified markets and products with your customer base to determine if your proposals are workable.

Example:

- a) CARTIS at one time determined to concentrate its efforts on making its products available on-line through a commercial telecommunications carrier. After lengthy market testing, it was seen that this method of distribution was reaching only a small section of the prospective client base, and the decision was made to make certain products available in printed and by fax-based delivery methods as well as on-line
- b) The TRADEFAX system developed by CARTIS has been market tested for two years, during which time they have provided a free service, kept in close communication with the System's customers, and continually fine-tuned the product until they are sure that they have a commercially viable product

In order to develop the marketing plan you will have to make decisions on four basic operating principles which are known as the "four p's". The combination of these four factors is usually referred to as the marketing mix. They are:

product
price
place
promotion

Product - which products and services to develop ?

The analysis of customer feedback on service and product opportunities available to the system will have identified which of the services and products should be pursued.

Example:

- a) After an analysis of a three year record of demand for a wide range of services and products which the network had been providing, CARTIS shed a number of services and products for which there was no demand and focused on four sets of information - business opportunities, company information, trade statistics and trade regulations - which customers have stated they need, are using, and have indicated that they would be willing to pay for.
- b) CARTIS at one time focused on developing its databases as on-line products. Market testing showed that this approach was reaching a low percentage of their customers and potential customers who did not use online services. They then focused on developing a user-friendly access to their information via fax. machine. This product was as easy to use as the telephone, and, as many members of the export community use a fax. machine as part of their regular business, has the advantage of being accessible to a broad customer base.

Price - what to charge the customer ?

Pricing of information services and products is a challenge to information networks in the Caribbean. Information providers recognise that there is a high cost involved in providing information products and services, and have begun to look at possibilities for cost recovery. There is, however, a traditional reluctance on the part of their customers to pay for information.

Prices should be established which are related to:

- * the cost of providing the service or product,
- * the existence of competitive services,
- * the demand for the product or service.

How price sensitive is your market - how much change may occur in buying behaviour if prices rise or fall ?

Two possibilities to consider when considering fixing prices are:

Marginal Cost Pricing which reflects only variable costs - such as telecommunication or photocopying costs.

and

Average Cost Pricing which includes fixed and indirect costs -such as the cost of computer hardware and building rental costs - as well as variable costs.

Example:

- a) A series of needs assessments conducted by CEIS has provided basic information on the range of prices which customers are willing to pay for their products, but the network is still looking for answers to questions relating to the maintenance of a flexible price structure in the Caribbean. Some of their concerns are:
 - * Should one universal price be instituted for all member countries
 - * Should there be a differentiation in pricing for the private and public sectors
 - * What discounts, if any, should apply and to whom
- b) CARTIS are considering a free introduction to their products and services, followed by one annual subscription fee charged to recover marginal costs for all products and services. This is simpler to administer than monthly subscriptions.

Average cost pricing has been worked out for products and services, using a potential customer base of 1,000 subscribers. The network is, however, concerned that all member states may not be able to afford the resulting subscription.

Place - how to distribute the services and products from the producer to the customer

The basic idea of distribution is that on completion of the production process, the completed service or product is moved into the hands of the customer who then obtains the satisfaction resulting from access to needed information.

The distribution channels chosen must take into account the expectations of the customer - an understanding of customer behaviour when purchasing information products and services is an important part of designing efficient and effective distribution channels.

Do you make it easy for your customers to get your product or service and information about it ?

There are a wide range of distribution channels available to information providers in the region from physical delivery of information in printed format, through fax-based delivery to delivery via online bulletin board systems and e-mail.

Example:

One issue which was raised by CEIS customers during the product assessment was the poor circulation and late receipt of the network's products. This finding led to an examination of the weaknesses in this area:

- * ad-hoc distribution
- * preparation of products at both the central and national focal points of the network which caused delays in publication of products

New alternatives considered included:

- * a more centralised system of delivery and distribution of products to reduce production time
- * the contracting out of printing services to ensure regular publication of products

Promotion

The most common promotion strategies are:

- personal calls
- new logo, letterhead package, company brochure
- direct mail
- newsletters
- print advertising (newspapers, journals)
- media advertising (radio, television)
- conference, trade show exhibits
- public relations (trade press, speechmaking, feature articles, community activities)
- networking with other systems
- discounts for regular customers

Each must be considered against information which has been gathered on customer needs and expectations, and on available resources.

Choose one or two of the above to promote your services and products. In your selection, think about what you know about your product/service, your competition and your customers.

Keep in mind available staff, time and budget.

Example:

CARTIS was at one time advised to concentrate on the developmental aspects of their products and services and hand over the promotional aspects to a commercial firm with experience in the field. They focused on their database services and ran a pilot project with a local commercial telecommunications firm who made the CARTIS products available and promoted them on-line.

This approach resulted in CARTIS not being able to make contact with a major part of their target market - small locally and regionally based exporters who did not have access to, or the capability to use on-line communications.

CARTIS' continuing needs assessment of its customers gave the network the advantage - over the commercial firm - of having a detailed and current knowledge of their customers' changing needs and of how they use information.

CARTIS now promotes its products and services both on-line through the commercial carrier, and by advertising in its own printed, hard copy products in order to reach as many of its target audience as cost-effectively as possible.

The Annual Marketing Plan

The annual marketing plan is one of the most important marketing tools. This plan determines the marketing activities for the forthcoming year and gives a breakdown of how the marketing budget is to be spent. The plan also incorporates realistic targets for the year in question.

The following elements should be incorporated in the marketing plan in a concise way that senior management can easily understand:

- * Your mission statement or statement of purpose
- * Concise descriptions of the services and products to be offered

- * What target groups you intend to serve
- * Why you can serve and provide services and products for these target groups better than your competition
- * What personnel are available and required to provide the services and products
- * What funding is necessary and how it will make your system more effective and profitable
- * Sources of funding
- * Capital equipment list
- * Income projections

Example:

CEIS provides a breakdown of subscriptions and purchases of their hard copy publications. This includes projections for 1995 based on knowledge gained about their customer base during development of their business strategy:

PUBLICATIONS	1993	Income Generated \$ US	1995	Income Generated \$ US
CEIS Update	16	256	1,218	19,200
PETSTATS	0	0	67	7,000
Caribbean Energy Abstracts	4	80	28	700
TOTAL		\$ US 336		\$ US 26,900

6) EVALUATION

Evaluation is an important final stage in the development of a business strategy. Regional information network managers must have in place carefully designed measurement systems in order to track organisational performance and make appropriate adjustments to the business strategy - please refer back to Figure 1 to see how evaluation should be fed back into further development of both the strategic and tactical components of the business strategy. These measurement systems can be developed under two broad categories:

- * **Strategic evaluation** which monitors the system's environment, competitors, clients, strengths and weaknesses

and
- * **Tactical evaluation** which monitors the day-to-day performance of the market opportunity analysis and the marketing plan for the purpose of fine-tuning current market efforts.

Evaluation needs to be an on-going exercise in order to update both the business strategy and the tactical marketing plan on a regular basis. This will enable necessary adjustments to be made which will help to ensure that the system remains efficient and effective in meeting the information needs of all segments of its target group.

Example:

CARTIS products are distributed with an accompanying impact assessment questionnaire which customers are asked to complete as part of the network's tactical evaluation.

The external environment of the network is very dynamic with the impact of different international and regional trade arrangements on the Caribbean - from the Caribbean Basin Initiative (CBI) to the North American Free Trade Agreement (NAFTA) and to the Latin American MERCOSUR. This is monitored as it means changes in the information needs of the network's customers.

CONCLUSION

The dominant theme in the development of this business strategy has been the use of proactive and regular customer contact in order to determine the specific needs of the various target groups and, as a result, to be able to segment the market for the information offered, and to differentiate in the development of products and services so that each product and service suits each target group. As Nawe notes:

"Marketing is essentially nothing more than using skills which are the natural outgrowth of the attitude that users are the prime force in considering what to produce, how, where and when. Marketing simply means focusing on the quality of services in relation to peoples' needs and wants." [5]

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TERMS OF REFERENCE

The purpose of this Assignment is to:

assess, in the context of ensuring long-term sustainability of Caribbean regional information systems, the potential of existing information networks to developing commercial services; taking into account the existing governing policies regarding commercializing the services and the possibilities of revising policies where necessary to support commercialization.

Specifically the Consultant is required to:

- 1) Develop in conjunction with the Managers of the Caribbean Trade Information System (CARTIS) and the Caribbean Energy Information System (CEIS), a model business strategy for Caribbean regional information systems.
- 2) Evaluate existing regional information networks against the business strategy developed.
- 3) Determine those areas which can be commercialized and discuss such possibilities with the senior management of the related institution as well as with the institutions planning the implementation of new systems.
- 4) Identify constraints which are directly linked to existing policies at institutional and inter-governmental levels and suggest adjustments which would alleviate the situation.
- 5) Prepare with those information networks which are able to implement the recommendations of the business strategy and marketing plan, guidelines for their future operations as commercial ventures.
- 6) Undertake a feasibility study on establishing a regional information company to serve as broker for services offered by regional information networks.

**DEVELOPING A BUSINESS STRATEGY FOR REGIONAL INFORMATION NETWORKS -
AREAS FOR DISCUSSION WITH CARTIS AND CEIS**

1) ANALYSIS OF THE MARKETING ENVIRONMENT

(the first step in a method of developing a strategic approach to marketing, which describes the environment of the System in order to guide the allocation of resources)

1.1) External environment

(describes the future environment the System is likely to face - re. socio-economic and technological conditions and competition from other sources - to assist the System in focusing its resources in meeting any existing challenges)

1.2) ***Operating environment***

(defines the mission and objectives of the parent organisation - this will assist in ensuring that products and markets developed complement the work of the organisation as a whole)

1.3) ***Internal environment***

(defines the System's mission and objectives so that efforts to better meet the expressed needs of client groups remain focused)

2) **INFORMATION NEEDS ASSESSMENT**

(identifies specific client groups and assesses their specific needs in order to provide products which are focused and appropriate)

2.1) **Selection of client groups in order to find out specific needs of each group**

2.2) **Collection and analysis of data on selected client groups**
(who needs what, when and how)

3) **INFORMATION AUDIT**

(evaluates the existing System based on its mission and main objectives)

3.1) **SWOT analysis**

(analyses the position of the System with respect to possible future lines of endeavour, by identifying the System's Strengths and Weaknesses - from inside the System's boundary - and Opportunities and Threats - from outside the System's boundary)

3.2)

Budget review

(ascertains how funds are being used to run the System and what funds are available to market the System)

4) ***MARKET OPPORTUNITY ANALYSIS***

(determines which markets and opportunities should be developed, based on client needs and the capabilities of the System to provide improved or new products)

4.1)

Identification of target markets and opportunities

(helps to identify best markets/products to develop - Product/Opportunity Matrix)

4.2)

Client feedback and analysis of markets and products identified for development

(helps to ensure that markets and products identified are in keeping with client needs)

5) **MARKETING PLAN**

(an action plan in which the market and product opportunities are pursued using the marketing mix variables - product, price, place, promotion - each being considered against the market research completed)

5.1) **Product**

(which products/markets to pursue)

5.2)

Price

(the price of the product related to business projections and perceived quality)

5.2.1)

Marginal cost pricing

(variable costs only)

5.2.2)

Average cost pricing

(fixed, indirect and variable costs)

5.3)

Place

(distribution channels from producer to client)

5.4)

Promotion

(communication between producer and client, advertising)

6) **EVALUATION**

(measurement systems to track performance and make appropriate adjustments)

6.1) **Strategic evaluation**

(monitors the environment, competitors, clients, strengths and weaknesses)

6.2)

Tactical evaluation

(monitors the day to day performance of the market opportunity analysis and the tactical business plan to fine-tune current marketing efforts)

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